

# Building Your Small Business Accounting Team

Numbers are an important part of business. To get a grasp on your small business accounting and financials, should you hire a bookkeeper, an accountant, a controller, or a Chief Financial Officer (CFO)? Each professional may be used at some stage of your company's development. When is the best time to hire each type of professional?

The financials of your small business at any stage, provide a performance management tool to aid you in making the right decisions to maximize profitability, handling the cash flow, and providing a competitive benchmark. The world of business finance can be complex and confusing. It's often easier to put aside the important numbers early in the game and do the more "fun" aspects of business building.

Seasoned entrepreneurs know the impact a financial system has on a company's success rate. Over 28% of businesses declaring bankruptcy cite problems with the financial structure of the company as the main cause of failure, according to a Small Business Administration study, "Financial Difficulties of Small Businesses and Reasons for Their Failure."

While there may not be any clear-cut rules on when to hire or expand your small business accounting team, consider the following guidelines to help make your decision easier:

## When to Hire a Bookkeeper:

- **Company Start-up:** A bookkeeper's services make sense for many average start-ups with no plans on building an empire. A bookkeeper on your small business accounting team will help you start off with a good record keeping system, handle financial transactions, and produce financial statements.
- **Lack of Numbers Understanding:** If cash flow planning and balance sheets make your head spin, you need help. Enlisting the services of a bookkeeper can help you gain a basic understanding of the financial aspects of running a business.
- **One-Person Company:** A home-based lifestyle business will often have a need to keep expenses low. The cost of an accountant on a monthly basis can be too much for a small one-person business. Either prepare the books yourself or have a bookkeeper involved in the process. Use the accountant for your year-end tax planning.

## When to Hire an Accountant:

- **Adding Employees:** You might at one point in your business life cycle, consider growing beyond the one-person operation and building a staff. Hiring an accountant for your small business accounting team will help with all financial matters including, advice on payroll, staffing costs, and ideas to improve your profits.
- **Changing Business Structure:** Hiring the services of an accountant is helpful when making the decision to change your company ownership structure. An accountant can help guide you through the financial and tax implications changing from a sole-proprietor or partnership to a corporation or a limited liability corporation.
- **Outside Financing:** When your small business is looking for outside capital such as a bank loan, it is advisable to use the services of an auditor. Having your financial statements put in order by an accountant can aid in the loan approval process.
- **Complex Billing:** Any business with a complex billing cycle and account management will often require the experience of an accountant over a bookkeeper or the owner. Your accounting professional can aid in the management of cash and billing to keep your company on stable financial ground.

### When to Hire a Controller:

- **No Time:** An established business with a solid management team may want to focus more on the bigger strategic issues and hire a controller to manage the day-to-day budget and financial operations.
- **Changing Financial Software:** There comes a point in the growth of a business when a simple off the shelf accounting software program no longer will do. Your small business accounting team can add a controller not only to manage your financials but to help select an appropriate financial software system.
- **Bring Financials In-House:** As a small business owner, you may decide to rely less on an accountant and focus on hiring a controller to have a full-time management member to run the daily operating budgets, receivables, and financials.

### When to Hire a CFO:

A CFO can provide strategic advice to companies adding multiple product lines and requiring financial management of complex issues.

- **Advanced Financing:** Simply applying for a new business credit line at the bank will not require the expertise of a CFO. However, if you are planning an Initial Public Offering (IPO), or more complex money raising tactics, then a CFO can add value to your small business accounting team. It is not a matter of reaching a specific revenue number that facilitates the need for a CFO but the requirement of dealing with outside investors.

The decision to build a small business accounting team depends upon the aspirations of the business owner. If you operate a one-person, unincorporated business with simple transactions and have a basic understanding of record keeping then a financial accounting software program will do. Remember, many businesses fail due to a lack of understanding financials and money management. Be honest with yourself as to when you need financial advice from a professional.